

The complaint

Mr K complains U K Insurance Limited provided misleading information about his motor insurance.

What happened

Mr K held UKI motor insurance. It covered Car A at a cost of around £2,000 for 12 months. Mr K was interested in part exchanging Car A for Car B. Before doing so he asked UKI if it would charge anything more if he swapped Car A for Car B on his cover. It said there wouldn't be any additional charge.

Mr K drove Car A 200 miles to part exchange it with Car B - paying an additional £4,500 cash - for a total transaction valued at £8,400. He taxed Car B for the journey home. But when he called to switch cars on his insurance UKI said it was unable to insure Car B. Mr K couldn't find unaffordable cover from other insurers, receiving quotes for around £18,000. Unable to affordable standard cover he arranged 24-hour temporary cover so he could drive Car B home.

On 25 June 2024 Mr K complained to UKI. On 27 June 2024 UKI responded. Whilst accepting it had given incorrect information about covering Car B, it said was unable to do so. It accepted some other customer service failings, paying Mr K £150 compensation.

Mr K, unsatisfied with that outcome, referred his complaint to the Financial Ombudsman Service. He said he wouldn't have purchased Car B if UKI hadn't mislead him. To resolve his complaint he wants UKI to provide cover for Car B and reimburse his temporary insurance costs.

In response to the complaint referral UKI maintained that it's unable to provide cover for Car B, but improved its resolution offer to Mr K. It increased the compensation offer to £250 in total, agreed to reimburse £53 charged for the 24-hour cover and to backdate cancellation of the policy to the date of purchase of Car B.

As Mr K didn't accept the revised offer our Investigator assessed the complaint. She found UKI responsible for him purchasing a car he's unable to afford to insure. She felt it should take additional steps to put things right for him. She proposed a choice for Mr K. Under Option One UKI would provide cover for Mr K to drive Car B until the date his original policy would have expired - May 2025. Alternatively, with Option Two, UKI would cover any financial loss following the sale of Car B. For either option it would need to reimburse the full cost of temporary insurance - around £500 and pay a total of £400 compensation.

Mr K said he would prefer Option One. UKI didn't agree to that outcome, explaining it's unable to reinstate the policy and insure Car B. Instead, it proposed an Option Three. This offer evolved over time. The final version being for UKI to purchase Car B at the price Mr K paid for it, pay £400 compensation and reimburse temporary insurance costs.

Our Investigator accepted UKI was unable to provide cover for Car B. She concluded Option Two would be the fair way to resolve the complaint. Mr K responded to say he didn't wish to

sell Car B. He considered £400 compensation inadequate. UKI accepted the Investigator's proposed outcome.

I issued a provisional decision. As its reasoning forms part of this final decision, I've copied it in below. In it I explain why I intended to require UKI to purchase Car B for the price Mr K paid for it, pay him £400 compensation and reimburse various insurance premiums. I invited both parties to provide any further evidence or comments they would like me to consider before issuing this final decision.

what I've provisionally decided and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

As this is an informal service I'm not going to respond here to every point or piece of evidence Mr K and UKI have provided. Instead, I've focused on those I consider to be key or central to the issue. But I would like to reassure both that I have considered everything submitted.

UKI accepts it mislead Mr K about covering Car B. That means I'm only required to decide what it should do to put things right for him. This Service's approach is to require a firm, that's made a mistake, to take steps to put the customer back in, or as reasonably close to as possible, the position they would have been in without the error.

In this case Mr K says if UKI hadn't mislead him he wouldn't have purchased it Car B. I accept that's likely, considering the cost of insuring it. So putting him back in the position he would have been in involves unwinding the purchase of Car B. It doesn't involve, as Mr K's requested, requiring UKI to provide insurance for Car B. That's not something that would have happened without its mistake.

UKI's made an offer that unwinds the purchase to an extent. I'm not sure Mr K has been made aware of the final details of that offer. UKI said its willing to purchase Car B at the price he paid for it - subject to invoice evidence. That seems reasonable to me. Mr K won't suffer a loss on the purchase. Instead UKI will buy the car at the price paid for it in June 2024.

I'd expect UKI to pay the full price, including any part exchange value for Car B. If Mr K did pay £4,500 cash for a trade valued, including the exchanged car, at £8,400 he should be paid £8,400. I ask UKI to confirm, in response, that is its intention.

Mr K can, if he chooses to take up the offer, use the funds to purchase a car he can arrange affordable insurance for. To provide certainty for UKI I intend to set a deadline for Mr K to take up and follow through with the offer. That will be 28 days from the date Mr K accepts (if he does) the outcome of my final decision.

I'm not going to require UKI to fulfil Option Two, as recommended by the Investigator. I consider that to involve potential for further dispute, including about any sale price achieved by Mr K. UKI's offer to pay the price paid for Car B provides a simpler and more effective resolution.

UKI should also, if it hasn't already, reimburse Mr K any premiums on a pro-rata basis from the date he sold Car A. It should also reimburse any cancellation related fees. There wasn't a car on cover, so it would be unreasonable to retain any premiums.

I also consider UKI's offer to pay a total of £400 compensation to be fair. I understand Mr K feels that's an inadequate amount. He has explained UKI's mistake has left him without the use of a car for many months. I acknowledge the frustration and loss of expectation involved. No doubt he was looking forward to using Car B, but instead found himself in a complicated and inconvenient situation through no fault of his own.

But on the other hand, I must also consider that it would have been reasonable for Mr K to have taken further steps to mitigate his loss, to minimise the impact of the situation. He was aware within days, of the purchase of Car B, that UKI was unwilling to insure him. He soon realised insurance for Car B was very costly, in the region of £18,000. And this Service advised him as early as August 2024 that we wouldn't require UKI to provide cover. Although, I realise the complaint did veer in that direction for a while.

Ultimately, however, Mr K ought to have realised some time ago that Car B isn't a realistic, affordable option for him. He could have taken his own steps to address matters, for example selling the car and replacing it with a more suitable one. That would have lessened the inconvenience he experienced. For that reason, I don't intend to increase the compensation award above £400, require UKI to reimburse road tax or award interest on the various payments.

UKI's also agreed to reimburse the temporary insurance costs. Mr K's provided evidence of costs totalling £506. As far as I'm aware, there's no further expenditure as Car B's been registered as SORN in recent months. I intend to require UKI to reimburse £506.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

UKI didn't provide any further comments or evidence in response to my provisional decision. Its response was limited to seeking clarity about the reimbursement of premiums Mr K had paid for his UKI cover.

In Mr K's response he said he doesn't wish to sell the car to UKI, instead he wishes to keep it. He accepted my proposed reimbursement of his UKI and temporary insurance premiums. He felt my compensation award to be unfair, considering the severity of events. He explained he did everything correctly at the beginning, but through no fault of his own he's left in this situation. I presume, by that he means owning a car he can't afford to insure.

I accept Mr K's point that he acted reasonably at the beginning, and I agree UKI was responsible for creating the situation. I explained in my provisional decision why I limited compensation to £400. Essentially Mr K hasn't taken reasonable steps to minimise the impact of UKI's error. I haven't been provided with anything to change my mind on that point. It will be entirely Mr K's decision whether to sell the Car B to UKI. But if he chooses not to accept that reasonable proposal, it wouldn't be reasonable to continue hold UKI responsible for his situation.

I haven't been provided with anything to change my mind, so my final decision is the same as that proposed in the provisional decision.

My final decision

For the reasons given above, I require U K Insurance Limited to:

- purchase Car B for the full June 2024 purchase price (including part exchange value for Car A) - subject to Mr K providing invoice evidence and accepting and following through with the offer within 28 days of him accepting this final decision,
- pay a total of £400 (including any compensation already paid),
- reimburse, if it hasn't already, premiums on a pro-rata basis from the date Mr K purchased Car B (and any cancellation fees charged) and
- reimburse Mr K £506 he paid for temporary insurance.
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Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 26 March 2025.

Daniel Martin
Ombudsman